



2005 ONTARIO BUDGET

*Investing in People
Strengthening our Economy*

**The Honourable Greg Sorbara
Minister of Finance**



Budget Speech



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*Budget Speech
Presented to the Legislature*

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OUR PLAN

Mr. Speaker, when our government was sworn into office just 19 months ago, we pledged to work as hard as the 12.5 million people we serve:

- to fix their schools;
- to improve their health care; and
- to strengthen the economy of this magnificent province.

One year ago, I presented a plan to turn that commitment into reality. Today, I am proud to report real progress. Here are just a few examples:

progress on our
plan

- class sizes in the early grades are smaller, there are more teachers, and test scores are higher;
- Family Health Teams are now starting up;
- a historic 1.8-million-acre greenbelt now provides a buffer defining the rapidly growing Greater Toronto Area; and
- our Auto Strategy is leveraging \$3.5 billion worth of new investment.

All of this, Mr. Speaker, while we have seen the economy create 146,000 new jobs since we took office! All of this, Mr. Speaker, while cutting in half the deficit that was predicted for 2004-05.

deficit cut in half

I am proud of how well the province has done in our first full year. The results are clear. Our plan is sound. Our plan is working. Our plan is working for the people of Ontario because this government is working with the people of Ontario.

We have formed productive new partnerships — with students, parents and teachers; with patients, doctors, nurses and other health professionals; and with farmers and businesspeople.

Today, I have the honour of introducing the next phase of our plan to strengthen our province by investing in our people. It's a plan to deliver better schools for better learning, better health care for healthier Ontarians, smart investment in infrastructure for a stronger



historic investment in postsecondary education

economy, and strong financial management. And, Mr. Speaker, I am proud to announce historic new investments in universities, colleges and training — the most significant injection in 40 years.

Before I outline the details, I want to underline what lies at the heart of this Budget — and that is fiscal discipline.

The deficit for 2004-05 is \$3.0 billion — some \$2.5 billion less than what we inherited from our predecessors.

We accomplished this because the economy performed better than expected. Our revenues — particularly corporate tax revenues — were higher. Our interest costs — through better debt management and rates — were lower. We did not use our reserve. And we imposed discipline on the management of resources across government.

fiscal discipline

We watched every penny. So the deficit is smaller. But it has not disappeared. Far from it. We are still working our way through a structural deficit that continues to threaten our ability to fund the public services our people depend upon.

Our plan shows that — at the latest — we will have a balanced budget in 2008-09. It may be possible to get there in 2007-08, if we don't need our reserve. But we will only get there if we continue to make discipline our watchword and hold the line on spending in most ministries.

On that point, I want to thank my cabinet and caucus colleagues for their support and their discipline.

hold the line on spending

Mr. Speaker, I also want to thank the many Ontarians who spoke to us, often with great conviction and passion, during our pre-budget hearings. We heard every request. Unfortunately, we cannot grant every request. We simply do not have the financial resources to do so.

Mr. Speaker, to govern is to choose.

We have chosen to invest in Ontarians' priorities — health, education and prosperity — and to do so without introducing any new taxes or tax increases.



We choose to invest in the future. And we believe, sir, we have chosen well.

EDUCATION — SUCCESS FOR STUDENTS

Reaching Higher in Postsecondary Education

Mr. Speaker, from Mowat to Davis to McGuinty, our greatest premiers have made public education their highest priority. Our future demands this approach.

In today's knowledge economy, education is the prerequisite for prosperity. The brains and know-how of a skilled workforce are the economic edge of the 21st century.

economic edge

So, if we are to continue to compete with our neighbours to the South, and take on the rapidly growing economies of Brazil and Russia, India and China, we simply must equip ourselves with the skills to compete.

That is why an investment in postsecondary education today is an investment in jobs tomorrow. But education is more than an economic imperative. It is the measure of our commitment to opportunity — it's the foundation of an engaged citizenry and a strong democracy.

invest in the
future

Education stands at the centre of our plan.

I am therefore honoured to announce Reaching Higher: The McGuinty Government Plan for Postsecondary Education. It is an unprecedented investment in higher education.

We will invest an additional \$6.2 billion in our universities, our colleges, our training, our apprentices and our students by 2009-10. In return for this massive investment, we will demand more access, higher quality and better accountability.



doubling student assistance

Now, by access, we mean more student assistance, more student places and more opportunity for new Canadians. By quality, we mean more resources, more faculty, more time for students with faculty, and more innovative research. And by accountability, sir, we mean agreements and followup that ensure that greater investment equals greater results.

One year ago, we asked former Premier Bob Rae to conduct a review of postsecondary education. I want to thank Mr. Rae and his advisory panel publicly for the depth of insight in their report and the dispatch with which they delivered it. Informed by that report, we are now implementing our plan.

New investments are already underway. New funding began last year, with an additional \$200 million. And we will add \$683 million this year. By 2009-10, our annual spending on postsecondary education will be \$1.6 billion higher than was originally planned for in the 2004 Budget.

more opportunities

Mr. Speaker, we believe, as Ontarians believe, that if you have the marks, you deserve the opportunity. So I'm pleased that Reaching Higher will double the funding available for student assistance — improving assistance for some 135,000 students starting this year. We believe as well that, once you get the opportunity, you deserve a quality education.

Our investment represents a 35 per cent increase in operating funds for institutions.

We also propose to make targeted investments to improve aboriginal education and francophone education as well as opportunities for first-generation students, new Canadians and persons with disabilities.

Success for Students

Best Start

Mr. Speaker, the foundation for the success of students begins in the early years. That's why we are so enthusiastic about our Best Start program. Best Start will significantly increase child care spaces for



children in junior and senior kindergarten and make child care fee subsidies available to more families.

early years

And let's give credit where credit is due: the federal government will help — starting with an additional \$272 million this year. With federal funding, our Province's investment will double by 2007-08. It will make Best Start a reality.

Success for Students

Getting our children off to the best start is one thing. Providing them with the best schools is another.

Our plan is to make public education the best education.

We want students to be able to read, write and do math at a high level of comprehension by age 12. We want more students to stay in school, so they're learning to age 18 and beyond. In just 19 months, we've come a long way:

- this year, close to 60 per cent of Grade 6 students met the Provincial standard in reading and math — that's real progress from last year;
- our Grade 10 students' scores are up this year as well;
- one in three schools in Ontario boasts smaller class sizes in the earlier years;
- we've trained 8,000 lead teachers in best practices and we're training 8,000 more; and
- we've brought peace and stability to the system.

higher test
scores

These changes are being felt across Ontario. Now, don't just take my word for it — ask Marie Braz. She's a Grade 3 teacher at Indian Road Crescent Junior Public School in Toronto. She told us that having fewer students in her classroom this year — thanks to the additional teachers we funded — has made a huge difference to her and her students.

smaller classes



investing in education

We will provide a 15 per cent increase in education funding over four years that will support:

- programs to improve reading, writing and math;
- Good Places to Learn — our fund for repairing and renewing our schools;
- the next steps towards achieving a cap of 20 students per class in the earlier years; and
- programs to keep students learning, at least to age 18.

Training

Mr. Speaker, a good education doesn't always mean learning in a traditional classroom. It also means high-quality apprenticeships and workplace training. So this Budget provides for \$17.5 million by 2007-08 in new funding to support greater access to labour-market services.

new Canadians in the workforce

Last year, we introduced a significant new Apprenticeship Training Tax Credit for businesses. This year, we're doing more to integrate new Canadians into Ontario's workplaces.

- Bridge Training programs will help skilled people move more quickly into the labour market;
- pilot projects will help increase access to college programs; and
- the Toronto Regional Immigrant Employment Council will create new links with employers.

HEALTH — FOCUSING ON PATIENTS, SUSTAINING MEDICARE

plan for better health care

Mr. Speaker, Ontarians' greatest asset is their health. And our government's plan is to do more to help people stay healthy, to provide better care for them if they become sick, and to do what is necessary to ensure medicare is sustained for generations to come.



Our plan includes a \$32.9 billion investment in health care.

But spending alone is not the answer. That's why our plan includes more doctors and nurses, shorter wait times and a plan to keep Ontarians healthier. Again, we have already made real progress:

More Doctors and Nurses

- We have more than doubled the number of training spots for international medical graduates;
- in the fall, students will begin at a new medical school in northern Ontario;
- we will be increasing first-year medical school spaces by 15 per cent;
- we have provided funding for more than 3,000 new nursing positions in hospitals, long-term care homes, home care and community agencies; and
- we have approved 52 Family Health Teams and three networks of Family Health Teams.

more training
spots

These steps will have a particularly important impact in underserved areas.

Families are excited about these reforms. So are family physicians. One of them, Dr. Kathryn Lockington from Kingston, tells us — and I'm using her words now — that this is going to help her provide the best possible care for her patients, by sharing that care with nurses, dietitians, mental health workers and other professionals.

Family Health
Teams

I want to take this opportunity, Mr. Speaker, to thank Dr. Lockington and through her, Ontario's vast network of health care providers, who are embracing this positive change.

Wait Times

Sir, our plan to reduce wait times is working:

- we're updating equipment and we're adding hours of service;
- we've provided thousands more cancer, cataract and hip- and knee-replacement surgeries;

more procedures



- we've increased the number of MRI exams by almost 14 per cent; and
- we've provided for some 81,000 CT scans — an increase of eight per cent.

We're making a difference.

Healthier Ontarians

We're also investing to keep Ontarians healthier:

preventive health care

- we've provided three new vaccines free of charge for children — saving families up to \$600 per child;
- our Smoke-Free Ontario Act is making its way through the legislature;
- we're encouraging healthier practices in our schools by banning junk food and launching Pause to Play, a physical activity program; and
- we're increasing the provincial government share of public health funding from 50 per cent to 75 per cent by January 2007.

And we're working to help health care providers develop long-term plans. Starting in 2005-06, we will, for the first time, begin to provide multi-year, hospital-by-hospital funding.

local co-ordination

We are also introducing 14 Local Health Integration Networks (LHINs) based on the simple principle that local people are best able to determine local priorities.

We'll be providing tens of thousands more procedures and reporting regularly on our wait-time progress on the health ministry Web site. We'll be creating more Family Health Teams to expand integrated primary care.

continuous improvement

Mr. Speaker, medicare is a profound expression of who we are as Ontarians. That is why this government is so committed to continuous improvement of health care for today's patients and to sustainability of health care for generations to come.



ECONOMIC GROWTH — ACHIEVING ONTARIO'S FULL POTENTIAL

Mr. Speaker, the strength of Ontario's economy is critical to our ability to finance not just health care and education, but all the public services provided by the Province. Before I outline the important steps we are taking to strengthen our economy, let me quickly survey our economic environment.

We are predicting the economy will grow by 2.0 per cent this year, 2.8 per cent in 2006 and an average of 3.4 per cent annually in 2007 and 2008. The average private-sector forecast is somewhat more aggressive, but we prefer to be cautious.

growing
economy

Even with our prudent assumptions, Ontario is expected to create 65,000 jobs in 2005 and 118,000 jobs in 2006.

With steady gains in employment, overall personal income is expected to increase by 3.8 per cent this year and an average of 4.9 per cent per year through 2006-08.

Still, there are a variety of uncertainties beyond our borders and beyond our control including the rising price of oil, the potential weakening of the U.S. economy, higher interest rates and the appreciation of the Canadian dollar. We will, of course, continue to monitor these risks as we proceed to implement our plan.

Mr. Speaker, our plan to strengthen the economy is comprehensive:

comprehensive
economic plan

- the five-year, \$6.2 billion investment in Reaching Higher, which I described earlier;
- a five-year, \$30 billion investment in infrastructure;
- a sustainable, reliable electricity supply;
- a modern competitive tax environment — this budget contains no new taxes and no tax increases;
- a modernized regulatory environment — we're pursuing a multi-year plan to update Ontario's commercial law framework.



and we're launching an agency to champion small business interests;

- targeted investments in key economic sectors;
- expansion of Ontario's research and development capacity; and
- steps to unlock the economic potential of Ontario's regions and municipalities.

The Infrastructure Challenge

infrastructure investment

Mr. Speaker, a healthy business climate depends on infrastructure that is modern, reliable, efficient and affordable. Our five-year, \$30 billion infrastructure investment plan will involve both long-overdue projects and urgent new initiatives:

- highway construction in northern and southern Ontario;
- improvements in schools, colleges and universities;
- dozens of expansions and improvements to hospitals; and
- major investments in public transit.

OSIFA

low-cost loans

Sir, to help municipalities get infrastructure projects off the ground — or in the ground — we are making available low-cost, long-term loans through the Ontario Strategic Infrastructure Financing Authority (OSIFA).

Already, 166 Ontario communities are proceeding with some 1,000 local infrastructure projects such as roads and bridges, and water and wastewater facilities.

OSIFA's mandate will now be broadened to provide loans for culture, tourism and recreation projects in municipalities. And, later this year, OSIFA financing will be made available to Ontario universities.

Infrastructure Renewal Bonds

Mr. Speaker, we are also inviting Ontarians to join in these great projects.



Today I am announcing that Ontario residents will have an opportunity to invest in infrastructure projects by purchasing Infrastructure Renewal Bonds. These bonds will go on sale later this year and will provide Ontarians with a solid investment.

retail bonds

Innovative Financing and Borrowing Options

At the same time, this government is exploring ways to accelerate our infrastructure plan. We are looking at ways to encourage Ontario's pension plans to invest more in building Ontario's infrastructure rather than investing their money abroad.

And, may I remind members, a review of major government assets continues. Our commitment remains the same: any net proceeds generated from asset sales would be directed as a first priority to infrastructure.

Of course, there are certain core principles that will guide both funding and procurement:

core principles

- the public interest must be paramount;
- value for money must be demonstrable; and
- processes must be fair, open and transparent.

Municipalities

Mr. Speaker, local communities are where our economy gathers force. Over the last 19 months, we have worked with municipalities and we have made real progress.

We are the first government in Ontario history to deliver gas tax dollars for public transit — \$195 million this year and \$1.4 billion over the next five years.

gas tax for
transit

We introduced the Ontario Municipal Partnership Fund, the Province's largest transfer payment to municipalities — \$656 million this year.



And as you know, Mr. Speaker, we are in the process of uploading a greater share of the cost of public health, which will support our goals of healthier Ontarians and more financially stable municipalities.

Affordable Housing

Municipalities have also told us that they need more affordable housing.

15,000 new units

Just days ago, this government signed an important Canada-Ontario affordable housing agreement. It will help provide 15,000 new units of affordable housing including new units for people with mental illness, victims of domestic violence and people in remote communities. It will help provide thousands of people with a safe, decent place to call home.

Northern Ontario

Sir, the economy of northern Ontario has always presented unique challenges and opportunities. Our government is responding to those challenges and enhancing those opportunities.

This year, we are investing \$485 million in northern infrastructure — including \$297 million to renew and expand northern highways.

Our northern medical school is set to open and we are starting a new northern Ontario nursing education program.

We are providing \$20 million in new funding by 2007-08 to increase access to high-quality community college programs in northern and rural communities. We are supporting the mining sector by investing \$15 million over three years in geological mapping.

And we are working on ways to strengthen the forest products sector. It's a very important industry for Ontario — it employs over 30,000 people in the North.

Grow Bonds

I am also pleased to report that our Grow Bonds pilot program, announced in last year's Budget, was very successful. Grow Bonds will provide almost \$13 million to invest in new and expanding northern Ontario businesses.



Agriculture

Sir, agriculture makes a significant contribution to the economic and social well-being of every Ontarian. The agri-food sector accounts for over \$8.6 billion in exports. But it is also facing very real challenges: low grain and oilseed prices, and the unfair interruption of our cattle and beef trade.

To build on our strengths and cope with these challenges, we have provided more than \$170 million in support for grain and oilseed farmers, and up to \$30 million to facilitate the recovery of the cattle industry.

support for
farmers

We are moving forward with the new Renewable Fuel Standard for ethanol. That's good news for our air and our farmers.

In keeping with one of the themes of the recent Premier's agricultural summit — the need for innovation in farming — I'm pleased to tell you that we are establishing a new Chair in Agricultural Research at the University of Guelph.

Research Council of Ontario

Mr. Speaker, research is at the core of intelligent societies. It nourishes excellence. It inspires advancement and productivity gains. It is the fuel of our economic engine.

Thus, I am delighted today to announce that we are proposing the creation of the Research Council of Ontario. The Council's job will be to advise on research priorities, to help co-ordinate public research and to raise Ontario's profile as an international research centre. The Council will serve as a beacon focusing the world's attention on Ontario's abilities.

international
research centre

As a very first step, we are consolidating several research expenditures into the new Ontario Research Fund.

We are also supporting research with investments in MaRS — the Medical and Related Sciences discovery district in Toronto — and in the McMaster Innovation Park in Hamilton. And we are establishing a new Chair in Productivity and Competitiveness at the University of Toronto.



Again, our intention is to develop a global reputation for the depth and breadth of our research capacity.

Entertainment and Creative Cluster

talent and
technology

Our entertainment and creative cluster already has a global reputation. This cluster brings together talent and technology and creates jobs. So investment in culture, Mr. Speaker, is an investment in both community-building and economic growth.

That's why, in December, we announced an increase in tax credits for Ontario's film and television industry — a sector that generates \$2 billion each year for our economy and employs 20,000. As a result of this announcement, more than a dozen film and television productions have started up — and a dozen more are being scouted.

We've also committed \$25 million towards the construction of a permanent home for the Toronto International Film Festival.

high-potential
industries

This Budget also proposes enhancements to the tax credits available for computer animation, interactive digital media, book publishing and sound recording to encourage these high-profile and high-potential industries.

RESPONSIBLE MANAGEMENT

Fiscal Situation

disciplined
financial
management

Mr. Speaker, our plan is working because of the discipline we have brought to the management of our finances.

As I mentioned earlier, the deficit for last year is \$3.0 billion — some \$2.5 billion less than what we inherited from our predecessors. The deficit for 2005-06 will be \$2.8 billion and will steadily decline thereafter.

Given our progress, it would have been possible to project a balanced budget by 2007-08. Instead, we've chosen to invest in what Ontarians value: education and health care. We believe these are the right choices.



But even with our investments, we will eliminate the deficit by 2008-09 at the latest. And it may be possible to get there in 2007-08 if we don't need our reserve.

While we are investing in priority areas, we will be holding the line on costs in most ministries. We will continue to be focused and disciplined.

And because of our *Fiscal Transparency and Accountability Act*, all of our numbers will be subject to the scrutiny of the Auditor General and the public before the next election.

transparency and
accountability

Fiscal Imbalance

Finally, Mr. Speaker, I must point out that our ability to invest in Ontario's future prosperity continues to be compromised by the difference between what the federal government collects from Ontarians and what it returns to the Province.

The Government of Ontario and third parties such as CIBC World Markets have identified a \$23 billion gap in that regard. We have begun engaging the federal government on this issue and had some early success. But much more needs to be done if we are to ensure a stronger Ontario for a stronger Canada.

strong Ontario —
strong Canada

If the gap is narrowed, we can accelerate, and even expand, our plan. But our plan cannot wait — because the people of Ontario cannot wait. We are delivering the very best for Ontarians within our financial constraints. We are improving services and at the same time we are reducing the deficit. Both can be done. Both have been done.



CONCLUSION

Mr. Speaker, before I conclude, permit me to take a moment to thank some very important people.

honouring our
veterans

Just a few days ago we celebrated the 60th anniversary of V-E Day — and 2005 is the Year of the Veteran. We would not be here today, with the rich opportunities we are blessed with, were it not for the sacrifices that those men and women made more than 60 years ago. We stand here today because they stood up for democracy then. To the veterans in the gallery today, we thank you.

Mr. Speaker, a very dedicated team of public servants in the Ministry of Finance have worked diligently on the design of this Budget. I want to express my sincere gratitude to all of them and would like to pay special tribute to one in particular.

For the past 32 years, Tom Sweeting, Assistant Deputy Minister, Budget and Taxation, has helped to shape the Province's budgetary policies. This Budget is his thirty-second. On behalf of the government, I'd like to thank him for his outstanding commitment, his keen intelligence and his unfailing humour.

And through you, Tom, I would like to pay tribute to the thousands of men and women in the Ontario Public Service who have dedicated their careers to serving the people of this province. You have been an example to all of us.

Mr. Speaker, as the Premier has often said, our people are our greatest asset.

Today we are implementing our plan to invest in their future. In better education, from the early years to the most sophisticated graduate degree; in more timely and compassionate health care; and in a stronger, more productive economy.

unlocking
potential

In doing so, sir, we unlock Ontario's great potential and ensure that this province is the place to be now and for decades to come.

Thank you, Mr. Speaker.

